

Commentary-Dave Pasolli-Western Wood Truss Association of Alberta

Promises of More Housing from All Parties

It is election time again, and many Canadians are listing housing affordability as a key issue for them, the politicians vying for votes have taken notice. All major party platforms include a promise to build thousands of additional new houses in Canada; I guess that is good for the truss business.

The Liberals say 1.4 million in four years, including 130,000 “revitalized” units (current affordable housing that is in such disrepair it is in danger of being lost).

The Conservatives say one million in three years.

The NDP says 500,000 units over a decade.

All pretty ambitious considering that about 286,000 new homes are currently built annually. I assume that this number is included in their calculations. But even if you take the normal starts into account all parties plan on adding between 30 to 50 thousand new homes per year or increase the housing starts by 11% to 17% annually for the next several years by policy alone.

So how do the parties say they will meet their targets?

The centrepiece of the **Liberals'** housing program is a "first-home savings account" — where money would go in tax-free and could be withdrawn without any taxes owing on investment gains. The program, which the Liberals estimate would cost the federal treasury some \$3.6 billion over the next four years, is meant to make it easier for some first-time home buyers under 40 to scrape together enough money for a down payment.

This from the same government that introduced the mortgage stress test in 2018 and revised it this year, which many home builders will tell you made it more difficult for first-time buyers to purchase a house. It would be interesting for the government to conduct their own stress test on their debt if interest rates go up, but that is for another time.

The party has also committed to:

- Building, preserving or revitalizing nearly 1.4 million homes by 2025-26.
- Doubling the Home Buyer's Tax Credit.
- Investing \$4 billion in a new Housing Accelerator Fund for municipalities.

- Pledging \$1 billion in loans and grants to develop a new rent-to-own program between landlords and renters.

Trudeau said he would also reduce the price charged by the Canadian Mortgage and Housing Corporation on mortgage insurance by 25 per cent. Remember that they already recently raided the CMHC account in 2017 diverting \$4 billion to go into general revenue. I guess they could have just used this money to make housing more affordable, but no one really paid much attention at the time.

How are the Liberals going to pay for this? Well it appears a major portion of it will come from collecting more money from banks through increased taxes and a temporary surcharge. I know two things about our big banks in Canada. The first is that they will always make money and if the government charges them more in tax they will no doubt pass these costs on to their customers that are trying to get a mortgage. The second is that most Canadians are somehow invested in the banks and if their profitability goes down so does the investor's accounts. Both of which make it less affordable to purchase a home.

Don't forget that they also introduced the carbon tax that makes everything less affordable including housing.

The **Conservatives'** housing pledges predominantly aim to increase supply while curbing speculation.

O'Toole's platform sets out a plan to:

- Build 1 million homes over the next three years.
- Release at least 15 per cent of federally owned real estate for housing — thus significantly boosting supply.
- Ban foreign investors not living in Canada and new arrivals from owning a home here for at least two years.
- Remove the requirement to conduct a stress test when a homeowner renews a mortgage.
- Encourage developers with deferred capital gains taxes when a rental property is sold to reinvest in rental housing.

O'Toole said he would also encourage a new market in seven-to 10-year mortgage terms.

Lastly, the Conservatives say they would invest \$325 million over the next three years to create 1,000 residential drug treatment beds and build 50 recovery community centres. Not sure what this has to do with affordable housing, but oh well.

The **NDP's** platform also promises an array of policies aimed at bringing down the cost of homes, including:

- Building 500,000 units of quality, affordable housing in the next 10 years, with half of that done within five years.
- Waiving federal sales tax on the construction of new affordable rental units.
- Imposing a 20 per cent foreign buyers tax on the sale of homes to individuals who aren't Canadian citizens or permanent residents.
- Setting up dedicated fast-start funds to streamline the application process for things like co-ops and non-profit housing.
- Mobilizing under-used federal lands for non-profit housing projects.

Also, the New Democrats say they would reintroduce 30-year terms for mortgages insured by the Canada Mortgage and Housing Corporation on entry-level homes for first-time home buyers.

Similar to Trudeau, Singh would also double the Home Buyer's Tax Credit.

According to the Conservative's costed plan they are going to invest \$7.6 billion into the Canada Job Surge Plan to increase jobs and drive up wages. They also promise to invest \$13.8 billion to drive business investment. The most interesting item for Alberta is that they want to drive growth in the energy sector. They claim that the Liberal's drove \$100 million in investment out of the country due to policy.

The NDP blows the others out of the water with their \$214 Billion in additional spending and Mr. Singh's plan seems simple enough, tax the rich to pay for everything. The top 1% of Canadians earns 11% of the total income and already pays 22% of the taxes. Under this plan I would imagine that the "ultra-rich" as he calls them, may take their money elsewhere like we saw when \$100 billion of investment left the Alberta energy sector when we elected the NDP here. As Margaret Thatcher said "The problem with socialism is that you eventually run out of other people's money."

"Capital goes to where it's friendly to capital. The more you hit capital, they'll find a place that's more favourable in most cases, but capital creates jobs handled in a proper way."-Jim Pattison

If they are going after votes in Vancouver and Toronto I think that all 3 parties missed some critical issues; including that it takes 10-11 years to get a building from design to completion in those areas due to red tape and community resistance to new development.

"We've seen the current government, as well as provincial governments and municipalities put a lot of money into building affordable housing but that money just sits there. They can't get the approvals they need to actually get shovels in the ground and to overcome local opposition to some of these projects and actually get those projects built."

—Mike Moffat, senior director of policy at the Smart Prosperity Institute in Ottawa

We saw that same issue here in Canmore, where the people that currently live there want to restrict any new housing because it would affect the community that they love.

Underlying all the platforms is that they only know what is best for the people. This is reminiscent of the communist housing projects where everyone could have a home, as long as they were all exactly the same. I wonder what kind of a home for someone in Toronto making \$50,000 per year would look like exactly, the neighbors in their million dollar homes may not be excited to see these units go up.



Standardized Eastern European Housing of the 70's, where everyone was entitled to the same 9 sq.ft.

All 3 parties are obviously targeting these pledges at the portion of the population that does not currently own a home, but what does it mean to the 2/3's of Canadians that do? For most Canadians the largest single investment they will ever make will be their home, hoping that it will increase in value over the years and that this investment can be part of their retirement planning. In the 1st quarter of 2021 homeowners in Canada saw their net worth increase by \$730 billion, a gain of \$73,000 per household. Does government interference in the housing market affect this investment?

"A major source of objection to a free economy is precisely that it ... gives people what they want instead of what a particular group thinks they ought to want. Underlying most arguments against the free market is a lack of belief in freedom itself."

— Milton Friedman

Whether it is interfering in the housing market, the stock market, the energy market, the child daycare market, or even the cell phone market, government interference in any market will only distort it. I believe that a free market is always correct and will balance the supply and demand on its own.

Of course, with any government program from any party, pork-barreling often inflates costs with added pet projects and social programs that would no doubt have to be included. You can make a safe bet that any programs would have a component of green initiatives, reconciliation issues, inclusive rights, or whatever the social cause of the day is tied to them. Most government programs are very targeted at picking winners and losers, and when there is this much money at stake corruption and cronyism always raise their heads. Not to mention the red tape and administration costs that comes along with government programs.

As we are talking about affordability, let's go back to the Carbon Tax which the Trudeau Government is expected to raise to \$170-per tonne by 2030. This is projected to cost a 2 income family \$3080 per year after rebates. If a family were to apply this to a mortgage they could afford to buy a home that is worth \$60,000 more.

While all parties campaigning are promising billions of dollars to get votes people have to realize that it is their money they are spending. It would be nice to see one of the parties say we are going to make everything more affordable by leaving more money in your pocket. After all the single largest bill working families pay each month is actually not their mortgage, but their federal income tax.

Make sure you go out and exercise your right to vote.

If you have an idea for a commentary or would like to submit your own commentary for a future newsletter please let me know at dave@wwta.ab.ca

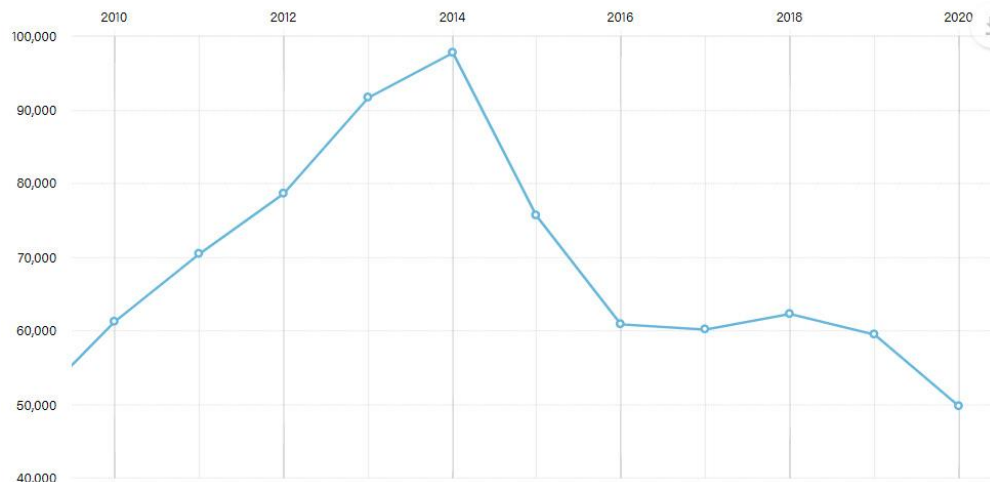
Economic Update

Housing starts in Alberta were up 53% compared to August 2020 and YTD starts are up 44%. Edmonton saw starts increase 21% YTD and Calgary is up 73% compared to 2020. Starts in Canada are up 28.5% YTD compared to last year, although a little down compared to the same month last year.

Housing Starts Alberta						
	Aug-21	Aug-20	% Change	YTD 2021	YTD 2020	% Change
Alberta	2660	1737	53.14%	19524	13564	43.94%
Edmonton	1276	825	54.67%	8148	6785	20.09%
Calgary	1110	736	50.82%	9389	5426	73.04%
Red Deer	11	5	120.00%	154	90	71.11%
Grande Prairie	7	16	-56.25%	84	69	21.74%
Lethbridge	48	36	33.33%	469	341	37.54%
Wood Buffalo	13	1	1200.00%	60	21	185.71%
Canada	19694	20533	-4.09%	162487	126404	28.55%

I thought that it would be interesting to look at some other economic indicators in Alberta this month.

Non-residential capital investment in Alberta decreased by 16.3% from 2019 to \$49.8B, primarily due to impact of the COVID-19 pandemic. Lower mining, quarrying, and oil and gas extraction investment, which fell 33.9% to \$16.6B, was the largest contributor to the decrease in investment. Even before the pandemic you can see that investment has been declining since 2015, we all know what happened then.



Non-Residential Capital Investment

On a year-over-year basis, Albertans paid 4.7% more in August 2021 for the goods and services that comprise the Consumer Price Index (CPI) than in the same month a year ago, while the national average CPI was up 4.1%. In Alberta, nearly all commodity categories increased, with Energy (+33.9%) and Transportation (+12.4%) increasing the most.

In August 2021, Alberta's seasonally adjusted unemployment rate was 7.9%, down from 8.5% in July 2021, and down 4.3 percentage points from August 2020.

The Delta variant could disrupt US South sawmills the most, Washington and Oregon rates may be important to watch too.

- A viewpoint from Dustin Jalbert, senior economist of Fastmarkets Forest Products

So if Covid-19 cases falling meant supply disruptions eased, does the rise of the Delta variant mean further wood products supply disruptions? Virus case rates are rising rapidly again in some states, especially in the US South. Rates per capita are poised to break the peaks seen over the 2021 winter for the region. While we are all relieved to see hospitalization and death rates not rising nearly as rapidly in most states hard hit by Delta, the key metric to gauge manufacturing and distribution disruptions remains actual case levels because employers are obligated to send Covid-positive employees home to quarantine. This significant wave of Delta in the South, which accounts for about 25 BBF of North American capacity, could tighten conditions for southern yellow pine, which has been oversupplied due to a major slowdown in the treated market.

While it appears the US South will experience production disruptions, the situation in the rest of North America appears more manageable than this past winter's record virus case surges. Much of this can be attributed to higher vaccination rates in the Pacific North West and Canada than in the US South. Washington and Oregon are seeing cases surpass prior highs making for notable exceptions but the prevalence remains fairly low per capita despite the Delta variant being more potent.

Thus far, the vaccines appear to effectively combat community spread of the virus despite increasing reports of breakthrough cases in the vaccinated population. So even as Delta contributes to a resurgence in cases, the rest of North America outside the US South – or about two-thirds of total regional capacity – will likely see case rates per capita far below their prior peaks in the fall and winter of last year, leaving the lumber supply base more resilient compared to the last major wave of cases.

Delta poses a threat to lumber supply and could set off another wave of shortages and price hikes again but the worst of the supply disruptions from the pandemic should be behind us. The US South will probably face some challenges that could help tighten currently sluggish market conditions, but the rest of the North American market will not see the same degree of labor supply disturbances stemming from the pandemic with vaccination rates high, employment levels mostly normalized and other potential disrupting influences like supplemental unemployment insurance now expired. Hard hit states like Alabama and Mississippi are already starting to turn over because the virus is burning out more quickly due to vaccinations.

Uncertainty and volatility will remain high in the market as the pandemic continues to evolve, but the supply side now appears more adequately prepared to meet the strong demand conditions that will continue to persist for lumber in the coming months.

For the full report go to: <https://www.fastmarkets.com/article/4003592/will-the-delta-variant-disrupt-us-lumber-supply-again>

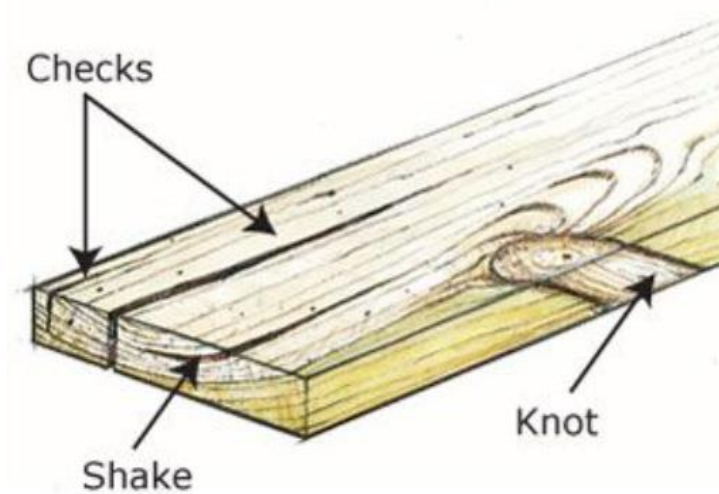
Quality Control

Shakes, Checks, and Splits in Lumber

What is the difference between a shake, a check and a split?

Shakes are a defined lengthwise separation of the wood along the grain, usually occurring between or through the rings of annual growth. A surface shake occurs on only one surface, while a through shake extends from one side to the opposite or adjoining side of the piece.

Shakes are natural occurring defects in standing trees caused by a lengthwise separation of latewood fibers. Research has found that a bacterium is the true cause of shake. The bacteria that causes shake enter the trees through the roots; it can sometimes be accompanied by an unpleasant odor.



Checks are a separation of the wood normally occurring across or through the rings of annual growth and usually as a result of seasoning. Surface checks are failures that usually occur in the wood rays on the flatsawn faces of the boards.

Checks occur because drying stresses exceed the tensile strength of the wood perpendicular to the grain, and they are caused by tension stresses that develop in the outer part of the boards as they dry around the still wet core. Surface checks can also occur in resin ducts, and usually develop early in drying because the lumber surfaces dry too quickly as a result of low relative humidity.

End checks occur because moisture moves much faster in the longitudinal direction than in either transverse direction. Therefore, the ends of boards dry faster than the middle and stresses develop at the ends.

Splits are a separation of the wood through the piece to the opposite surface or to an adjoining surface due to the tearing apart of the wood cells. Splits are sometimes the result of the drying process and extend across one or more growth rings.

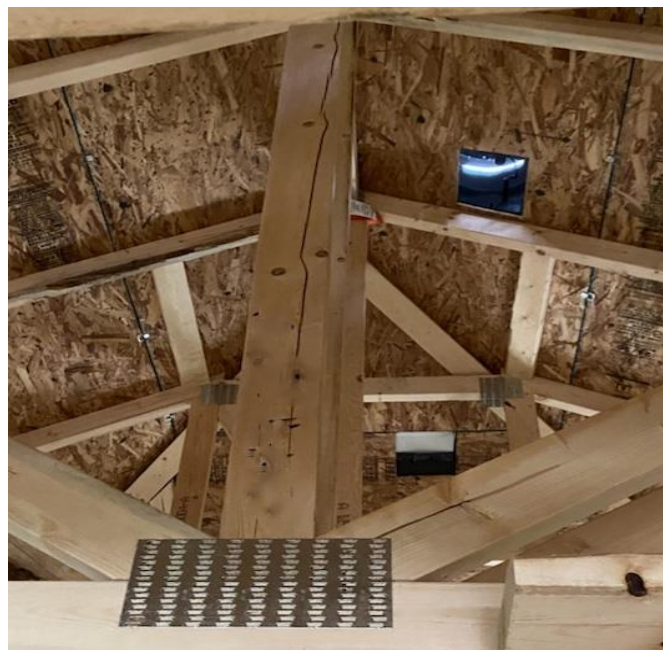
End splits are often caused by growth stresses and are therefore not a drying defect. They can be present in the log or sometimes develop immediately after sawing.

Many splits extend parallel to the growth rings due to mechanical damage, like being pressed by a roller.



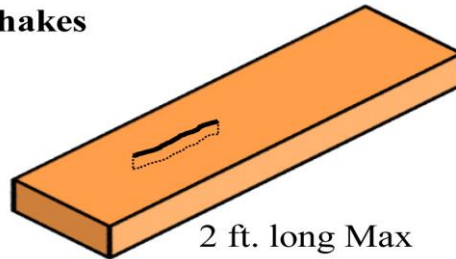
End Split

So what does this all mean and how are you supposed to determine what looks like a crack in the wood actually is? Unless you are an actual lumber grader it is best just to treat checks and shake the same when building trusses.



The lumber grading rule for Shakes and Checks is kind of complicated because it can be on 2 sides and relative to the length of the board. They cannot go completely through the board. In order to keep it simple for trusses, because we cut long boards into shorter boards, they should be limited to 24" and no deeper than 1/2".

Shakes

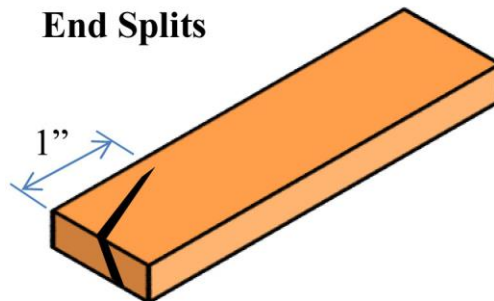


2 ft. long Max

1/2" Deep

Splits that go completely through the board should be limited to the width of the piece of lumber, so in a 2X4 limited to 3 1/2". End splits should be limited to 1". This is because at the end of every piece of lumber in a truss is a plated connection.

End Splits



Please keep in mind that grading rules for lumber defects reflect in the strength assigned to that piece of wood, but sometimes as truss manufacturers we have to have higher standards. As I mentioned some allowable defects are relative to the length of the piece of lumber, so wane that is acceptable on a 16' may not be acceptable when you cut that piece in half, so we have to be a bit more conservative.

When we build trusses we are also putting different stresses on that piece of lumber than it would have if it was being used in a stud or a beam for example. This is why we have to pay particular attention to the defects at the joint. A crack in the lumber in the middle of the bottom chord will not have the same likelihood of failure that it would have at the heel location where there are large shear forces being transferred between the top and bottom chord. This is why we want to avoid any checks, shake, or splits at the plate locations, especially the heel.



Plate failure due to shear forces

If you would like more information check out the WWTA truss training online module #104 How a Truss Works and #107 Lumber Grade and Quality.

Health and Safety Toolbox

Similarly to the Quality topic the WWTA would like to give you a monthly item you can discuss when doing your Safety Toolbox meeting. This month we are going to focus on some new tools from the Alberta Government on Muscular Skeletal Injuries.

We are pleased to tell you about the launch of new resources that help prevent workplace musculoskeletal disorders (MSD). These [resources](#) include:

- A six part video tutorial to enhance understanding of how MSDs occur and how to take simple steps at the workplace to remove or control hazards.
- Bulletins that explain actions workers and employers can take if MSD symptoms or injury occur.
- A poster that identifies common signs and symptoms of MSDs.
- Postcards that raise awareness about the importance of MSDs and where to find more information.

These resources were developed with Alberta's OHS system stakeholders and address important issues identified by those on the front-lines that continue to make MSDs prevalent. *(Thank you to WWTA's Dave Pasolli, who served on this MSD committee.)* The resources are developed specifically for workers, supervisors and employers with an emphasis on small and medium businesses. We have produced these resources for

stakeholders to incorporate economical and straightforward workplace actions to prevent workplace MSDs and keep workers healthy, safe and on the job.



For more information please visit: <https://ohs-pubstore.labour.alberta.ca/musculoskeletal-disorders> and stay tuned on upcoming resources for slips, trips and falls and psychosocial hazards.

The updated *Occupational Health and Safety Act (OHS Act)* and consequential amendments to the OHS Code will take effect in **late 2021**. This change will provide job creators and workers with more time to adjust to the OHS Act and OHS Code changes.

The original September 1 implementation date is being extended to ensure job creators and workers can adapt the new rules to their workplaces in a way that maximizes health and safety.

By extending the implementation date, Alberta's government was able to engage with Albertans to ensure any potential changes to the OHS Code are flexible and promote workplace health and safety.

There is also a notice on our website at the following link:

<https://www.alberta.ca/improving-workplace-health-and-safety.aspx>

Other changes to the OHS Code resulting from the Year 1 review will take effect in the summer of 2022.

Covid-19 Restrictions

The province announced a state of public emergency and on Sept. 15, 2021, including new restrictions due to the increased number of people in the hospital. Visit: <https://www.alberta.ca/coronavirus-info-for-albertans.aspx>

If your company has any question about being compliant with the new restrictions please feel free to give me a call and I will try and get you an answer.

The Alberta Government has a new format OHS eNews you can subscribe to with all kinds of good material at: <https://ohs-pubstore.labour.alberta.ca/>

News and Events

Hopefully the world will get through the 4th wave and we can get together for our Annual General Meeting in 2022. Please mark **Friday April 1, 2022** on your calendar for our meeting that will be held in Edmonton.

The Truss Plate Institute of Canada and your representative David Klassen, P.Eng is getting ready to have their second meeting of 2021 and if you have any questions or issues that you would like David to bring up at the meeting please e-mail them to me by the end of September.

The WWTA was well represented on a virtual call with Alberta Agriculture and Forestry to discuss the secondary wood manufacturing industry in Alberta and how the Ministry might develop some funding programs to help our industry. Stay tuned.

I am starting to travel to see you members now, and I hope to see all our member plants before the end of the year Covid willing.

Virtual Meetings

One day we will get back to meeting in a room I hope, but in the meantime if you have any topics you would like the WWTA to hold a virtual meeting on please let me know.

WWTA Online Training

If you have not yet taken a look at the WWTA online training program I would encourage you to, as no doubt you will be hiring new workers in the near future and it is a good method to get them productive earlier and safer. If you want an overview of the program go to the WWTA website at: <http://www.wwta.ab.ca/truss-training-online.html>

Did You Know?

That a portion of your dues goes to a membership in the Canadian Wood Council? The truss industry is a vocal voice in the development of the CWC programs including the mid-rise construction implementation and the upcoming Low-rise Commercial initiative.